

WHAT'S IN THE FISCAL CLIFF DEAL?

- Raises tax rates on individuals/households earning \$400k/ \$450k or more
- Makes Bush-era tax cuts permanent for all other taxpayers
- Raises tax rates for capital gains/dividends from 15% to 20% for same incomes
- Raises estate tax from 35% to 40%, with first \$5M exempted
- Phases out personal exemptions and limits itemized deductions for individuals/households earning \$250k/ \$300k

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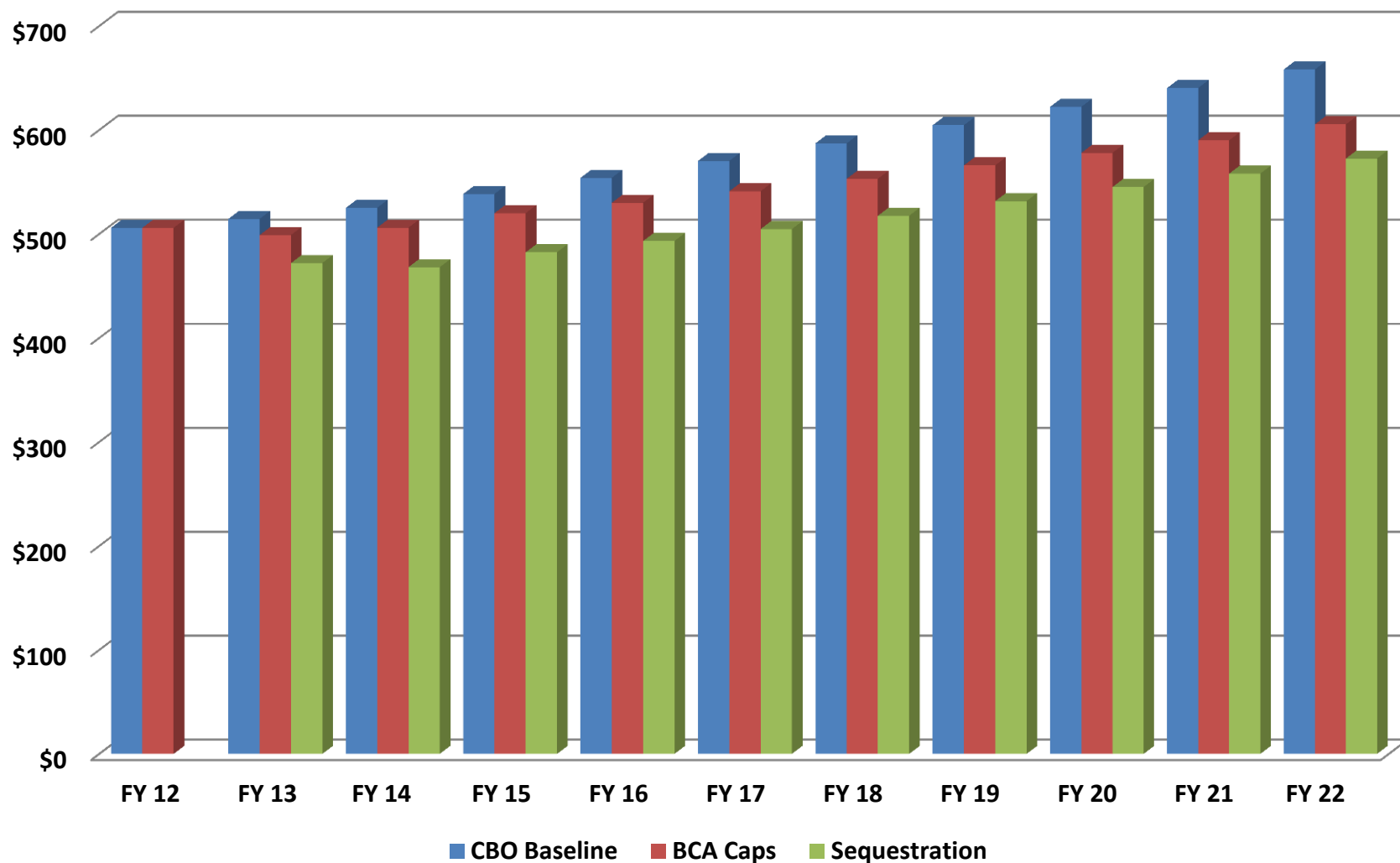
- Permanently indexes AMT to inflation
- Extends American Opportunity Tax Credit, Child Tax Credit, and Earned Income Tax Credit for five years
- Preserves “extenders,” includes several education tax breaks
- Allows temporary 2% payroll tax cut to expire
- Extends unemployment insurance for one year
- Extends Medicare “Doc fix” for one year

WHAT'S IN THE FISCAL CLIFF DEAL?

- 2 month delay in sequester
- \$24 billion reduction paid for with \$12 billion in revenues and \$12 billion in spending cuts
- \$6 billion in defense cuts and \$6 billion in NDD cuts
- Reduces across-the-board cut from 8.2% to 5.9%.

Nondefense Discretionary Funding Caps After HR 8

Budget Authority in Billions



Sources: CEF Calculations based on *An Update to the Economic and Budget Outlook: Fiscal Years 2012 to 2022*, CBO, August 2012; OMB Report Pursuant To The Sequestration Transparency Act Of 2012, September 2012; the American Taxpayer Relief Act of 2012, January 2013

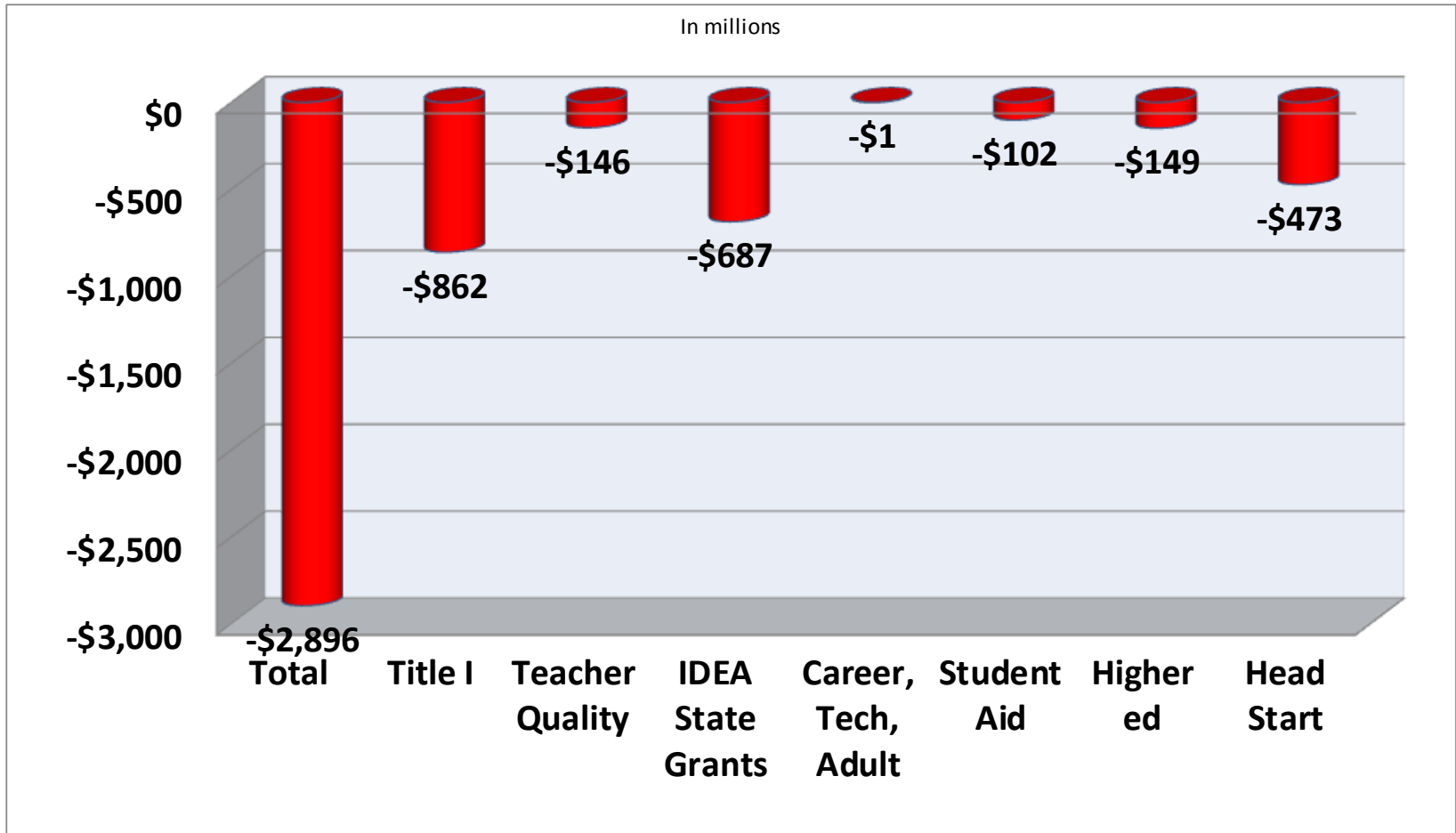
Sequestration =

Largest Education Cuts Ever!

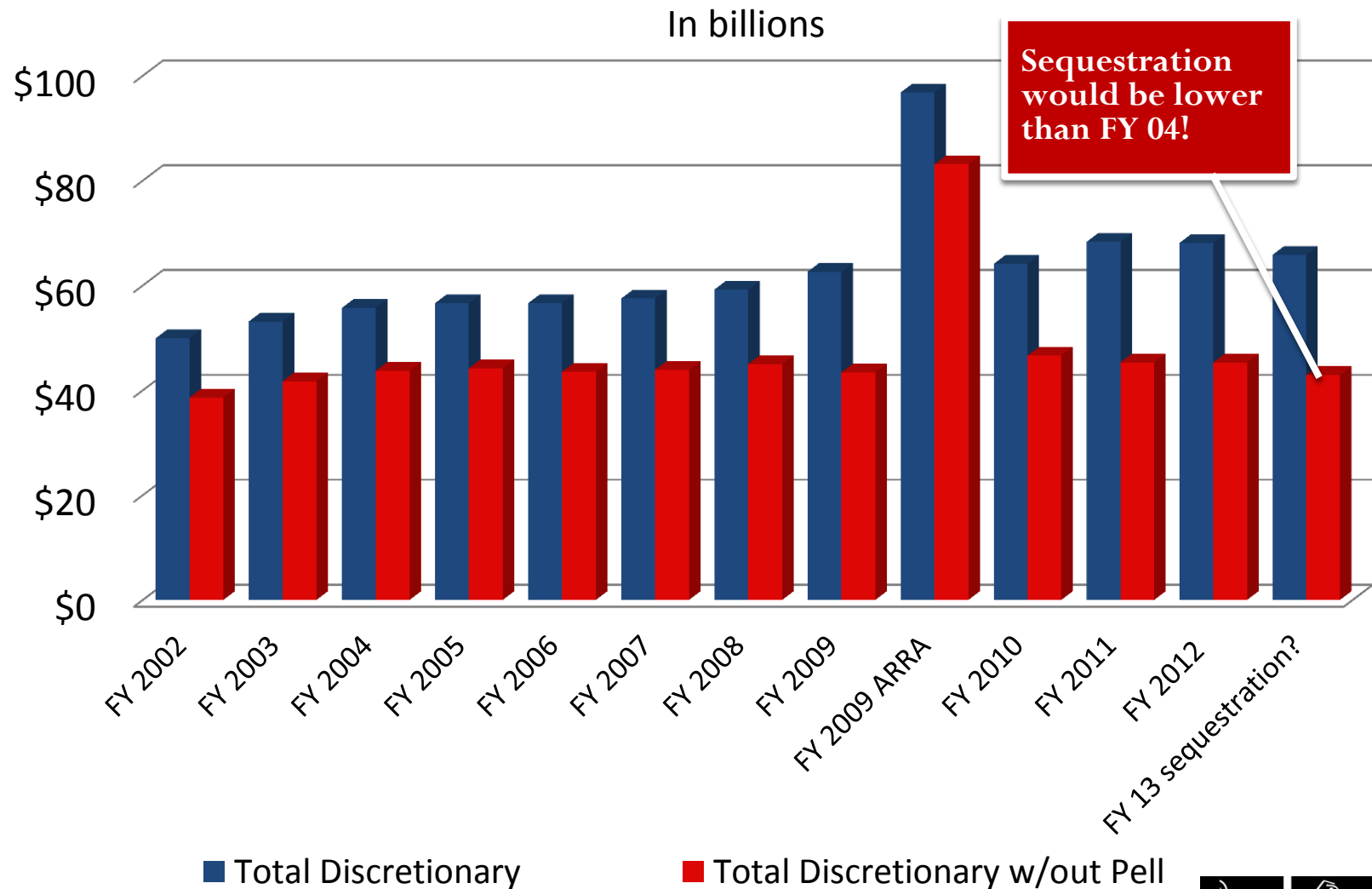


- FY 13 = fixed percentage across-the-board cuts.
 - CEF projects a cut of 5.9% = \$2.9 billion for ED.
 - Head Start cut \$473 million.
 - Pell grants exempt in first year.
- FY 14-21 — will not be ACB cut; further lowers discretionary caps
 - Squeezes education \$; Pell no longer exempt.

Impact of Sequestration in FY 13



Education Department Funding



OUTLOOK – Multiple Cliffs

- Debt Ceiling reached by end of February
 - Republicans demanding more cuts
- Sequester set to hit on March 1
 - Repealing entire sequester costs \$960 billion.
 - White House wants 50% new revenues/ 50% spending cuts
- Six-month CR expires on March 27, 2013
 - Provides small 0.612% across-the-board increase
- Sequester cuts – if they happen – will be from CR levels.
CR has no effect on the sequester.

2012 Debt Limit Crisis Could Lead to Default

Updated
1/3/13

